

Message Text

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SUBJECT: EGYPTIAN USE OF AID

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1. DURING PAST WEEK GOE CONTINUED TO REACT RATHER SHARPLY TO REPORT IN AL AKHBAR THAT GOVERNMENT HAD BEEN UNABLE TO EFFECTIVELY UTILIZE U.S. ASSISTANCE. SINCE MARCH 17 THREE SEPARATE GOE RESPONSES HAVE APPEARED IN AL AKHBAR; LETTERS FROM MINISTER OF ECONOMY HAMED EL SAYEH AND MINISTER OF STATE ALI SALMI AS WELL AS A LENGTHY INTERVIEW WITH UNDERSECRETARY OF ECONOMY GAMAL EL NAZER.

2. MINECON EL SAYEH EXPRESSES ASTONISHMENT AT AL AKHBAR STATEMENT AND STATISTICS WHICH HE SAYS DIFFER WITH GOVERNMENTS, MUCH MORE FAVORABLE REPORTS. HE POINTS OUT THAT THERE ARE DIFFERENT ELEMENTS OF U.S. ASSISTANCE, I.E. CIP, CAPITAL PROJECTS, ETC., AND EACH MOVES AT DIFFERENT IMPLEMENTATION PACE. WITH RESPECT TO PROJECT ASSISTANCE EL SAYEH NOTES VARIOUS STEPS INVOLVED IN IMPLEMENTING LOANS INCLUDING FEASIBILITY STUDIES, PREPARATION OF TECHNICAL SPECIFICATIONS, ETC. AND CONCLUDES THAT BECAUSE OF THEIR SIZE AND COMPLEXITY MOST U.S. PROJECTS REQUIRE FROM 2 TO 5 YEARS TO COMPLETE.

3. ALI SALMI LETTER TAKES MUCH THE SAME APPROACH, I.E. THAT
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IMPLEMENTATION IS MUCH FURTHER ALONG THAN SUGGESTED IN THE AL AKHBAR ARTICLE, THAT CAPITAL PROJECTS TAKE TIME TO PROCESS AND IMPLEMENT, ETC. HE ALSO NOTES THAT PROJECT DELAYS CAN BE ATTRIBUTED TO SHORTAGE OF CONSTRUCTION CAPABILITY IN EGYPT.

4. EL NAZER INTERVIEW RANGES OVER A SERIES OF ISSUES CONCERNING FOREIGN ASSISTANCE AND ECONOMIC DEVELOPMENT, NOT ALL OF WHICH

DIRECTLY RELATE TO U.S. ROLE. THESE POINTS COVER, FOR EXAMPLE, REASON FOR PROJECT DELAYS ((HICH EL NAZER ATTRIBUTES TO LACK OF CONSTRUCTION CAPABILITY AND TENDENCY OF BUREAUCRACY TO START NEW PROJECTS RATHER THAN COMPLETE PRIOR STARTS), THE FOCUS OF THE GOVERNMENT DEVELOPMENT EFFORT (WHICH EL NAZER LISTS AS SERVICES, UTILITIES/INFRASTRUCTURE AND FOOD SECURITY AND DIFFICULTIES OF RETAINING QUALIFIED EGYPTIAN TECHNICIANS IN EGYPT. REFERENCES TO AID GENERALLY ARE IN CONTEXT OF QUICKENING PACE OF PROJECT/PROGRAM IMPLEMENTATION AND AID'S RELATIONSHIP AND EFFECT ON VARIOUS ASPECTS OF THE ECONOMY. IN RESPONSE TO A QUESTION ON THE DEGREE OF U.S. SUPERVISION AND OVERSIGHT OF ITS PROGRAM EL NAZER STATES QUOTE THE AMERICAN AID HAS ITS SYSTEM OF CONTROL, BECAUSE IT IS RESPONSIBLE BEFORE CONGRESS, TO ENSURE THE BEST UTILIZATION OF FUNDS ALLOCATED FOR AMERICAN AID IN THE VARIOUS COUNTRIES. I BELIEVE THAT WE ARE SATISFIED WITH REGARD TO THE LEVEL OF UTILIZING AMERICAN AID IN PARTICULAR...BUT IN COMPARISON WITH OTHER AID IT GENERATES THE LEAST TROUBLES UNQUOTE. ALSO IN ANOTHER STATEMENT EL NAZER OPINES THAT AID PROJECTS GENERALLY MOVE BETTER THAN OTHER FOREIGN OR GOVERNMENT PROJECTS.

5. THURSDAY MARCH 23 AL AKHBAR CARRIED EXTENSIVE INTERVIEW WITH AID DIRECTOR BROWN WHICH INTER ALIA ADDRESSES PACE OF IMPLEMENTATION. BROWN POINTS OUT THAT PL 480 DISBURSEMENTS ALONG WITH AID LEVELS RAISE LEVEL OF ACTUAL PROGRAM EXPENDITURES FROM DOLS 250 MILLION QUOTED IN AL AKHBAR ARTICLE TO ABOUT DOLS 750 MILLION. HE ALSO SPECIFICALLY ADDRESSES ISSUE OF UNUTILIZED FUNDS REFERRED TO IN THE LIMITED OFFICIAL USE

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AL AKHBAR ARTICLE, POINTING OUT THAT FUNDS PRESENTLY OBLIGATED ARE COMMITTED TO A VARIETY OF ACTIVITIES OF BENEFIT TO EGYPTIAN ECONOMY AND THAT NO FUNDS HAVE BEEN RETURNED TO THE U.S. TREASURY. BROWN CITES A NUMBER OF PROJECTS IN WHICH IMPLEMENTATION IS ALREADY WELL ALONG, THAT WHEN COMPLETED WILL HAVE SIGNIFICANT EFFECT ON THE ECONOMY. OTHER TOPICS COVERED INCLUDE A RANGE OF PRESENT PROJECT ACTIVITY, POPULATION, PRIVATE SECTOR, POSSIBLE FUTURE ACTIVITY AND EFFECT OF AID ON ECONOMY.

6. COMMENT: WHILE AL AKHBAR ARTICLE ON AID HAS CLEARLY BEEN NETTLESOME AFFAIR FOR GOE, NONETHELESS WIDESPREAD AND GENERALLY FAVORABLE ATTENTION PAID TO AID PROGRAM IN THE SERIES OF RECENT ARTICLES HAS HAD ITS FAVORABLE ASPECTS, AT LEAST FOR THE U.S. EILTS

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